

Registered number: 09306147

STACKHOUSE POLAND GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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STACKHOUSE POLAND GROUP LIMITED

COMPANY INFORMATION

Directors	M P Rea C D K Scott
Company secretary	A Peel
Registered number	09306147
Registered office	The Walbrook Building 25 Walbrook London England EC4N 8AW
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

STACKHOUSE POLAND GROUP LIMITED

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STACKHOUSE POLAND GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Group's principal activity is Insurance broking.

Business review

The results for the period are set out in the Consolidated Statement of Comprehensive Income on page 9.

The Group operates in niche sectors to enable it to better understand the needs of its clients and thereby add value. This disciplined focus in the following sectors is at the core of the success of the Group:

- Private Clients
- Commercial, including real estate and professional firms
- Community, including local parish / town councils and the not for profit sector
- Healthcare
- Specialty, including medical professional indemnity

The board remains confident the Company is well positioned to take advantage of Insurance Broking opportunities that exist in these chosen sectors.

In accordance with this strategy of focusing on niche sectors, during the year the Group acquired:

- The trade and assets of Caprica Healthcare
- The entire issued share capital of Honour Point Ltd
- The entire issued share capital of Title and Covenant Brokers Ltd and its parent Title Investments Ltd
- The entire issued share capital of Property Insurance Initiatives Ltd and its parent Risk Solutions Group Ltd
- The entire issued share capital of Symmetry Private Insurance Ltd
- The entire issued share capital of Foley Healthcare Ltd

Financial key performance indicators

The Company's main key performance indicators are turnover and EBITDA.

Turnover for the year ended 31 December 2018 was £45.6m (2017: £35.0m) representing an increase of 30.4%. EBITDA for the year was £10.6m (2017: £7.4m).

Principal risks and uncertainties

The Group's operations and debt profile expose it to a variety of financial and operational risks including the effects of change in price risk, compliance risks, liquidity and interest rates. The Group's Board of Directors are responsible for setting the Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and monitors the ongoing process for identifying, evaluating, managing, and reporting significant risks faced.

The approach to significant risks is noted below:

Borrowing facilities and liquidity risk

Operations for the Group are financed by a mixture of external borrowing facilities, inter-group borrowings and cash reserves. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. Forward looking cash flow projections are prepared on a regular basis to assess funding requirements.

Interest rate risk

On acquisition the external loans and bank debt of the Group were repaid in full, removing the Group's exposure to interest rate, funding and liquidity risk on its borrowings.

Compliance risk

The Group is exposed to regulatory risk from the potential failure to comply with the relevant laws and regulations for insurance intermediaries. To mitigate this, the Group has a risk and compliance function and has a control framework that has been rolled out and embedded within the culture throughout the Group to reduce the risk of non-compliance. All staff with a responsibility for compliance receive regular training.

STACKHOUSE POLAND GROUP LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Operational risk

The Group has identified the key operational risks to which it is exposed, principle among which are errors or omission leading to the incorrect placement of client Insurances, the protection of client Information, the prevention of cyber and financial crime, and compliance with regulations. An appropriate control framework has been deployed to manage and mitigate these key operational risks.

This report was approved by the board on

26

September 2019 and signed on its behalf.



C D K Scott
Director

STACKHOUSE POLAND GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company carries on the business of a holding company for insurance broking companies.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to £10,043,000 (2017 - loss £7,740,000).

The Group business review is included in the Strategic Report.

Directors

The Directors who served during the period from 1 January 2018 to the date of this report are as follows:

T D Johnson (resigned 5 April 2019)
J I D Agnew (resigned 5 April 2019)
J M G Cary (resigned 5 April 2019)
D J Menton (resigned 5 April 2019)
A C S Bowden (resigned 5 April 2019)
M P Rea (appointed 5 April 2019)
C D K Scott (appointed 5 April 2019)

Future Developments

On 5 April 2019, the entire issued share capital of the Stackhouse Poland Group Limited, was acquired by Gallagher Holdings (UK) Limited.

STACKHOUSE POLAND GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Employees

The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability.

Matters covered in the strategic report

Information on the risks and uncertainties faced by the Group, its key performance indicators and the business review for the period are included in the Group Strategic Report.

Disclosure of Information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This report was approved by the board on

26

September 2019 and signed on its behalf.



C D K Scott
Director

STACKHOUSE POLAND GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STACKHOUSE POLAND GROUP LIMITED

Opinion

We have audited the financial statements of Stackhouse Poland Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

STACKHOUSE POLAND GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STACKHOUSE POLAND GROUP LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

STACKHOUSE POLAND GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STACKHOUSE POLAND GROUP LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

David Roberts (Senior Statutory Auditor)
for and on behalf of

BDO LLP

Statutory Auditors

55 Baker Street

London

W1U 7EU

Date: 27 September 2019



STACKHOUSE POLAND GROUP LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	45,646	35,009
Cost of sales		(26,264)	(20,697)
Gross profit		19,382	14,312
Administrative expenses		(9,038)	(6,991)
Amortisation		(10,540)	(7,666)
Depreciation		(871)	(780)
Operating loss	5	(1,067)	(1,125)
Share of profit of associates		215	82
Total operating loss		(852)	(1,043)
Income from fixed assets investments		26	-
Profit on the sale of investments		-	53
Interest receivable and similar income	9	94	35
Interest payable and expenses	10	(9,906)	(7,617)
Loss before taxation		(10,638)	(8,572)
Tax on loss	11	895	947
Loss for the financial year		(9,743)	(7,625)
(Loss) for the year attributable to:			
Non-controlling Interests		300	115
Equity shareholders of the parent Company		(10,043)	(7,740)
		(9,743)	(7,625)

There was no other comprehensive income for 2018 (2017: £Nil).

The notes on pages 15 to 40 form part of these financial statements.

STACKHOUSE POLAND GROUP LIMITED
REGISTERED NUMBER: 09306147

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

		2018	As restated 2017
	Note	£000	£000
Fixed assets			
Intangible assets	13	98,424	79,368
Tangible assets	14	2,778	2,788
Investments	15	282	66
		<u>101,484</u>	<u>82,222</u>
Current assets			
Debtors: amounts falling due within one year	16	22,650	25,326
Cash at bank and in hand	17	29,674	20,610
		<u>52,324</u>	<u>45,936</u>
Creditors: amounts falling due within one year	18	(167,779)	(55,157)
Net current liabilities		<u>(115,455)</u>	<u>(9,221)</u>
Total assets less current liabilities		<u>(13,971)</u>	<u>73,001</u>
Creditors: amounts falling due after more than one year	19	(1,118)	(81,569)
Provisions for liabilities			
Deferred taxation	23	(12,700)	(9,572)
Other provisions	24	(272)	(202)
		<u>(12,972)</u>	<u>(9,774)</u>
Net liabilities		<u>(28,061)</u>	<u>(18,342)</u>
Capital and reserves			
Called up share capital	25	3	3
Share premium account	26	324	300
Profit and loss account	26	(28,803)	(18,760)
Equity attributable to owners of the parent Company		<u>(28,476)</u>	<u>(18,457)</u>
Non-controlling interests		415	115
		<u>(28,061)</u>	<u>(18,342)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26 September 2019

C D K Scott
Director

[Signature]

The notes on pages 15 to 40 form part of these financial statements.

STACKHOUSE POLAND GROUP LIMITED
REGISTERED NUMBER: 09306147

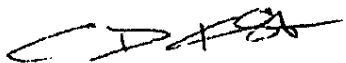
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	15	197	197
		<u>197</u>	<u>197</u>
Current assets			
Debtors: amounts falling due within one year	16	241	207
		<u>241</u>	<u>207</u>
Creditors: amounts falling due within one year	18	(632)	(276)
		<u>(632)</u>	<u>(276)</u>
Net current liabilities		<u>(391)</u>	<u>(69)</u>
Total assets less current liabilities		<u>(194)</u>	<u>128</u>
Net (liabilities)/assets		<u>(194)</u>	<u>128</u>
Capital and reserves			
Called up share capital	25	3	3
Share premium account	26	324	300
Profit and loss account	26	(521)	(175)
		<u>(194)</u>	<u>128</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26 September 2019

C D K Scott
 Director



The notes on pages 15 to 40 form part of these financial statements.
 The Company's loss for the year was £346,000.

STACKHOUSE POLAND GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Non- controlling interests £000	Total equity £000
At 1 January 2017	3	300	(11,020)	-	(10,717)
Comprehensive Income for the year					
Loss for the year	-	-	(7,740)	115	(7,625)
At 1 January 2018	3	300	(18,760)	115	(18,342)
Comprehensive Income for the year					
Loss for the year	-	-	(10,043)	300	(9,743)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	(10,043)	300	(9,743)
Shares issued during the year	-	24	-	-	24
Total transactions with owners	-	24	-	-	24
At 31 December 2018	3	324	(28,803)	415	(28,061)

The notes on pages 15 to 40 form part of these financial statements.

STACKHOUSE POLAND GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2017	3	300	(79)	224
Comprehensive income for the year				
Loss for the year	-	-	(96)	(96)
Total comprehensive income for the year	-	-	(96)	(96)
At 1 January 2018	3	300	(175)	128
Comprehensive income for the period				
Loss for the year	-	-	(346)	(346)
Total comprehensive income for the period	-	-	(346)	(346)
Contributions by and distributions to owners				
Shares issued during the year	-	24	-	24
At 31 December 2017	3	324	(521)	(194)

The notes on pages 15 to 40 form part of these financial statements.

STACKHOUSE POLAND GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Loss for the financial year	(9,743)	(7,625)
Adjustments for:		
Amortisation of intangible assets	10,540	7,794
Depreciation of tangible assets	871	671
Profit on disposal of tangible assets	(54)	-
Interest payable	9,906	7,617
Interest receivable	(94)	(35)
Taxation charge / (credit)	(895)	(947)
Decrease/(Increase) in debtors	5,928	(4,104)
Increase in creditors	329	20,159
Increase in provisions	70	-
Share of operating (profit) / loss	(216)	(59)
Corporation tax received	34	-
Changes in Non Controlling Interests	(300)	115
Net cash generated from operating activities	16,376	23,586
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(770)
Purchase of tangible fixed assets	(805)	(843)
Sale of tangible fixed assets	172	-
Purchase of trade investments	-	(3)
Interest received	-	35
Dividends received	26	-
Consideration paid (net of cash acquired)	(31,428)	(30,298)
Net cash from investing activities	(32,035)	(31,879)
Cash flows from financing activities		
Issue of ordinary shares	24	-
New secured loans	27,237	26,952
New finance leases	271	-
Loan provided to related party	(270)	-
Interest paid	(2,539)	(7,617)
Net cash used in financing activities	24,723	19,335
Net increase in cash and cash equivalents	9,064	11,042
Cash and cash equivalents at beginning of year	20,610	9,568
Cash and cash equivalents at the end of year	29,674	20,610

STACKHOUSE POLAND GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	29,674	20,610
	<u>29,674</u>	<u>20,610</u>

The notes on pages 15 to 40 form part of these financial statements.

STACKHOUSE POLAND GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General Information

Stackhouse Poland Group Limited (the 'Company') and its subsidiaries (together 'the Group') are a group of insurance brokers operating throughout the United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained.

All entities have been included in the consolidation. The directors consider that dormant companies are entitled to exemption from audit under section 477 of the Companies Act 2006 and have not been audited.

2.3 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

STACKHOUSE POLAND GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Going concern

Management have prepared forecasts and budgets for a period of at least 12 months from the date of the approval of the financial statements. Having reviewed these forecasts and having considered other relevant factors including the availability of future funding, the requirement to repay current funding, future anticipated acquisitions, market conditions and anticipated group growth rates they consider it appropriate to prepare the financial statements on a going concern basis.

2.5 Revenue

Revenue comprises commission receivable, fees for the arrangement of insurances and other ancillary income from the Group's business of insurance broking.

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as follows:

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Motor vehicles	- 20% to 25% straight line
Office equipment	- 10 - 25% straight line or reducing balance depending on the nature of the asset
Computer equipment	- 20-25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

STACKHOUSE POLAND GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.11 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.14 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.16 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.18 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.20 Insurance Broking Debtors and Creditors

The Company acts as an agent in broking the insurable risk of its clients and, generally, is not liable as principal for premiums due to underwriters or for claims payable to clients. Notwithstanding its legal relationships with clients and underwriters and since, in practice, premium and claim monies are usually accounted for by insurance intermediaries, the Company has followed accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the Company itself.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of assets or liabilities affected in the future. The items in the financial statements where these judgments and estimates have been made include:

Business Combinations - The identification of separately identifiable intangible assets on acquisition of subsidiaries is a subjective process. Judgements and estimates are made in the valuation of the intangible assets acquired, particularly in the valuation of customer relationships.

Amortisation of intangible assets - Intangible assets are amortised over their estimated future economic life. This life is estimated based on historic experience, and judgements about factors such as future economic conditions, and the specific nature of the asset. Should the useful life differ to that estimated by management the carrying value of the asset would require adjustment.

Tangible fixed assets - Tangible fixed assets are depreciated to their residual values over their estimated useful economic lives. Should actual residual values or useful economic lives differ from those estimated by management, carrying values of the affected assets would require adjustment.

Dilapidations provisions - Provisions for the possible future costs due under lease agreements are made according to the current best estimates of costs that the Company is obligated to pay. The actual costs payable may vary depending on various factors including fluctuations in materials and building costs.

4. Turnover

Turnover comprises commission receivable, fees for the arrangement of insurances and other ancillary income derived from the business of insurance broking.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	871	780
Revaluation of tangible fixed assets	-	(109)
Amortisation of intangible assets, including goodwill	10,540	7,666
Revaluation of intangible fixed assets	-	128
(Profit)/Loss on the disposal of fixed assets	(54)	78
Defined contribution pension cost	872	704

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditors' remuneration

	2018 £000	2017 £000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	288	156
Fees payable to the Group's auditor in respect of:		
Other services relating to taxation	52	33
Other assurance services	16	-
Services relating to recruitment and remuneration	32	-
Services relating to corporate finance transactions	129	-
	<u>288</u>	<u>156</u>

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Wages and salaries	23,208	16,714	-	-
Social security costs	2,364	1,743	-	-
Staff pension costs	1,007	704	-	-
	<u>26,579</u>	<u>19,161</u>	<u>-</u>	<u>-</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Directors	5	5
Administrative employees	465	339
	<u>470</u>	<u>344</u>

The Company has no employees other than the Directors, who did not receive any remuneration (2017 - £NIL)

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	916	1,186
Directors' pension costs	23	38
	<u>939</u>	<u>1,224</u>

During the year retirement benefits were accruing to 3 Directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £454,600 (2017 - £443,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £22,500 (2017 - £37,500).

9. Interest receivable

	2018 £000	2017 £000
Other interest receivable	<u>94</u>	<u>35</u>

10. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	4,521	2,827
Other loan interest payable	5,357	4,780
Finance leases and hire purchase contracts	28	10
	<u>9,906</u>	<u>7,617</u>

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	213	15
Deferred tax		
Origination and reversal of timing differences	(1,108)	(962)
Taxation on loss on ordinary activities	<u>(895)</u>	<u>(947)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	<u>(10,638)</u>	<u>(8,572)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(2,021)	(1,652)
Effects of:		
Expenses not deductible for tax purposes	1,618	2,188
Fixed asset differences	571	-
Utilisation of tax losses	-	(377)
Other timing differences leading to an increase (decrease) in taxation	(266)	20
Non-taxable income	27	(57)
Chargeable gains/ losses	331	(107)
Deferred tax	(505)	(962)
Adjustment to tax charge in respect of prior periods	(650)	-
Total tax charge for the year	<u>(895)</u>	<u>(947)</u>

Factors that may affect future tax charges

During the year, as a result of the changes in the UK corporation tax rate to 17% from 1 April 2020, which were substantively enacted following the 2016 budget, the relevant deferred tax balances have been remeasured.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £346,000 (2017 - loss £96,000).

13. Intangible assets**Group and Company**

	Customer Relationships £000	Goodwill £000	Total £000
Cost			
At 1 January 2018	67,465	28,927	96,392
Additions	25,533	4,419	29,952
Revaluation	(304)	(52)	(356)
At 31 December 2018	92,694	33,294	125,988
Amortisation			
At 1 January 2018	9,950	7,074	17,024
Charge for the year	7,516	3,024	10,540
At 31 December 2018	17,466	10,098	27,564
Net book value			
At 31 December 2018	75,228	23,196	98,424
At 31 December 2017	57,515	21,853	79,368

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Tangible fixed assets

Group

	Land and Buildings £000	Motor vehicles £000	Office & Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2018	1,288	955	3,954	6,197
Additions	53	383	369	805
Acquisition of subsidiary	-	94	174	268
Disposals	(15)	(407)	(490)	(912)
At 31 December 2018	1,326	1,025	4,007	6,358
Depreciation				
At 1 January 2018	267	462	2,680	3,409
Charge for the year on owned assets	88	275	508	871
Acquisition of subsidiary	-	12	82	94
Disposals	(15)	(281)	(498)	(794)
At 31 December 2018	340	468	2,772	3,580
Net book value				
At 31 December 2018	986	557	1,235	2,778
At 31 December 2017	1,021	493	1,274	2,788

15. Fixed asset investments

Group

	Investments in subsidiary companies £000	Investments in associates £000	Trade investments £000	Total £000
Cost or valuation				
At 1 January 2018	1	59	6	66
Share of profit/(loss)	-	216	-	216
At 31 December 2018	1	275	6	282

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	197
At 31 December 2018	<u>197</u>

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Stackhouse Poland Midco Limited	Ordinary	100%
Stackhouse Poland Bidco Limited	Ordinary	100%
Stackhouse Poland Holdings Limited	Ordinary	100%
Stackhouse Poland Limited	Ordinary	100%
GPIS Limited*	Ordinary	100%
Parish Council Insurance Brokers Limited	Ordinary	100%
Cheam Insurance Brokers Limited	Ordinary	100%
Stackhouse Fisher Limited	Ordinary	100%
RHB Insurance Services Limited*	Ordinary	100%
The Healthcare Management Company (UK) Limited*	Ordinary	100%
J C Richards Limited*	Ordinary	100%
Plexstar Insurance Services Limited*	Ordinary	100%
Sutton Meears and Company Limited*	Ordinary	100%
W Burch & Son Limited*	Ordinary	100%
David Fangen Limited*	Ordinary	100%
David Fangen Holdings Limited*	Ordinary	100%
Coulter Hurst & Company Limited*	Ordinary	100%
HFM Columbus Insurance Services Limited	Ordinary	100%
H R Owen Insurance Services Limited	Ordinary	35%
Chris Frost Insurance Services Limited	Ordinary	100%
Antrobus Investments Limited*	Ordinary	95%
Insurance Acquisitions Holdings Limited*	Ordinary	95%
Quantum Underwriting Solutions Limited	Ordinary	95%
Coleman Group (Holdings) Limited*	Ordinary	100%
Coleman Holdings Limited*	Ordinary	100%
E Coleman & Co Limited*	Ordinary	100%
Coleman Marine Limited	Ordinary	100%
Foster Leighton & Company Limited*	Ordinary	100%
Foster Leighton Risk Managers Limited*	Ordinary	100%
Lucas Fettes Limited*	Ordinary	100%
Lucas Fettes Central Limited*	Ordinary	100%
Ptarmigan Underwriting UK Limited	Ordinary	67%
Ptarmigan Underwriting Agency Limited	Ordinary	60%
Medical Professional Indemnity Group Limited*	Ordinary	100%
Lucas Fettes and Partners Limited*	Ordinary	100%
Protek Group Limited	Ordinary	33%
RSM Insurance Services Limited	Ordinary	33%
Plough Court Insurance Services Limited	Ordinary	100%
Honour Point Limited	Ordinary	100%
Symmetry Private Insurance Limited	Ordinary	100%
Title Investments Limited	Ordinary	100%
Title & Covenant Brokers Limited	Ordinary	100%
Risk Solutions Group Limited	Ordinary	100%
Property Insurance Initiatives Limited	Ordinary	100%
Foley Healthcare Limited	Ordinary	100%

* - Exempt from audit by virtue of the exemption provided by s479A of the Companies Act 2006.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Debtors

	Group	Group As restated	Company	Company As restated
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	18,147	16,277	-	-
Amounts owed by group undertakings	-	-	241	207
Amounts owed by joint ventures and associated undertakings	-	68	-	-
Other debtors	951	582	-	-
Prepayments and accrued income	3,440	8,021	-	-
Tax recoverable	112	378	-	-
	<u>22,650</u>	<u>25,326</u>	<u>241</u>	<u>207</u>

17. Cash and cash equivalents

	Group 2018	Group 2017
	£000	£000
Cash at bank and in hand	29,674	20,610
	<u>29,674</u>	<u>20,610</u>

Included in the cash at bank balances above is £23,284,000 (2017: £17,880,000) held in client money trust accounts.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Creditors: Amounts falling due within one year

	Group	Group As restated	Company	Company As restated
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans	61,231	-	-	-
Other loans	48,828	-	-	-
Insurance broking creditors	36,384	31,317	-	-
Trade creditors	560	815	-	43
Deferred consideration	12,527	15,598	-	-
Amounts owed to group undertakings	-	-	582	180
Corporation tax	745	482	-	-
Other taxation and social security	852	651	-	-
Obligations under finance lease and hire purchase contracts	250	95	-	-
Other creditors	1,666	3,088	-	-
Accruals and deferred income	4,736	3,111	50	53
	<u>167,779</u>	<u>55,157</u>	<u>632</u>	<u>276</u>

19. Creditors: Amounts falling due after more than one year

	Group	Group As restated
	2018	2017
	£000	£000
Bank loans	-	33,182
Other loans	-	43,457
Obligations under finance leases	325	210
Deferred consideration	793	4,720
	<u>1,118</u>	<u>81,569</u>

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Loans

The Group refinanced its bank loan finance in the period. The bank loan facility was secured on the Group's assets by fixed and floating charge and was repaid in full on 5 April 2019.

	Group 2018 £000	Group 2017 £000
Amounts falling due within one year		
Bank loans	61,231	-
Other loans	48,828	-
Amounts falling due 2-5 years		
Bank loans	-	33,182
Other loans	-	43,457
	<u>110,059</u>	<u>76,639</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £000	Group 2017 £000
Within one year	250	95
Between 1-5 years	327	210
	<u>577</u>	<u>305</u>

22. Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets				
Cash	29,674	20,610	-	-
Financial assets measured at amortised cost	-	-	241	-
	<u>29,674</u>	<u>20,610</u>	<u>241</u>	<u>-</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(110,309)	(76,849)	(631)	-

Financial liabilities measured at amortised cost comprise bank loans, other loans and obligations under finance leases.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. Deferred taxation**Group**

	2018 £000	2017 £000
At beginning of year	(9,572)	(3,481)
Charged to profit or loss	1,172	(6,091)
Arising on business combinations	(4,300)	-
At end of year	<u>(12,700)</u>	<u>(9,572)</u>
	Group 2018 £000	Group 2017 £000
Accelerated capital allowances	(12,699)	(9,530)
Tax losses carried forward	(1)	(42)
	<u>(12,700)</u>	<u>(9,572)</u>

24. Provisions**Group**

	Dilapidations provision £000
At 1 January 2018	202
Charged to profit or loss	70
At 31 December 2018	<u>272</u>

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
147,030 (2017 - 147,030) Ordinary A Shares shares of £0.010000 each	1.470300	1.470300
150,000 (2017 - 150,000) Ordinary B Shares shares of £0.010000 each	1.500000	1.500000
5,930 (2017 - 5,931) Ordinary C Shares shares of £0.010000 each	0.059300	0.059310
112 (2017 -) Ordinary E Shares shares of £0.000001 each	-	-
1 (2017 -) Ordinary F Shares share of £0.000001	-	-
	<hr/>	<hr/>
	3.029600	3.029610
	<hr/>	<hr/>

On 16 November 2018 the Company issued 112 E Ordinary shares for a total premium of £21,000. 1 F Ordinary share was issued for premium of £3,000.

26. Reserves**Share premium account**

Share premium represents amounts received on the issue of share in excess of their nominal value less deduction for applicable issue costs

Profit and loss account

The profit and loss reserve represents the accumulated profits and losses of the Company and Group respectively.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

27. Business combinations

During the year the Group acquired the entire share capital of Honour Point Limited on 18 April 2018. The assets and liabilities acquired on acquisition were:

Assets acquired and liabilities assumed on acquisition

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Customer relationships	-	3,207	3,207
Tangible fixed assets	54	-	54
Trade and other receivables	377	-	377
Cash and cash equivalents	636	-	636
Trade and other payables	(438)	-	(438)
Deferred tax liabilities	0	(545)	(545)
Total identifiable net assets	629	2,662	3,291
Goodwill			545
Consideration			3,836

Revenue included in the consolidated income statement since acquisition is £1,159,041 and profits for the period since acquisition £302,170.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

During the year the Group acquired the entire share capital of Risk Solutions Group Limited on 10 December 2018. The assets and liabilities acquired on acquisition were:

Assets acquired and liabilities assumed on acquisition

	Book value	Fair value	Fair value
	£000	adjustment	£000
Customer relationships	-	5,567	5,567
Trade investments	-	-	-
Tangible fixed assets	74	-	74
Trade and other receivables	2,072	-	2,072
Cash and cash equivalents	613	-	613
Trade and other payables	(3,229)	-	(3,229)
Deferred tax liabilities	-	(946)	(946)
Total identifiable net assets	(470)	4,621	4,151
Goodwill			946
Consideration			5,097

Revenue included in the consolidated income statement since acquisition is £88,750 and a loss for the period since acquisition £98,411.

During the year the Group acquired 100% of the share capital of Foley Healthcare Limited on 24 December 2018. The assets and liabilities acquired on acquisition were:

Assets acquired and liabilities assumed on acquisition

	Book value	Fair value	Fair value
	£000	adjustment	£000
Customer relationships	-	3,557	3,557
Tangible fixed assets	1	-	1
Trade and other receivables	274	-	274
Cash and cash equivalents	379	-	379
Trade and other payables	(134)	-	(134)
Deferred tax liabilities	-	(605)	(605)
Total identifiable net assets	520	2,952	3,472
Goodwill			605
Consideration			4,077

No revenue or profit is included in the consolidated income statement since acquisition.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

During the year the Group acquired 100% of the share capital of Symmetry Private Insurance Limited on 28 November 2018. The assets and liabilities acquired on acquisition were:

Assets acquired and liabilities assumed on acquisition

	Book value £000	Fair value adjustment £000	Fair value £000
Customer relationships		1,464	1,464
Tangible fixed assets	-	-	-
Trade and other receivables	86	-	86
Cash and cash equivalents	20	-	20
Trade and other payables	(86)	-	(86)
Deferred tax liabilities	-	(249)	(249)
Total identifiable net assets	20	1,215	1,235
Goodwill			249
Consideration			1,484

Revenue included in the consolidated income statement since acquisition is £21,429 and profits for the period since acquisition £4,411.

During the year the Group acquired 100% of the share capital of Title Investments Limited on 1 October 2018. The assets and liabilities acquired on acquisition were:

Assets acquired and liabilities assumed on acquisition

	Book value £000	Fair value adjustment £000	Fair value £000
Customer relationships	-	8,800	8,800
Tangible fixed assets	87	-	87
Trade and other receivables	97	-	97
Cash and cash equivalents	2,890	-	2,890
Trade and other payables	(204)	-	(204)
Deferred tax liabilities	-	(1,499)	(1,499)
Total identifiable net assets	2,870	7,301	10,171
Goodwill			1,499
Consideration			11,670

Revenue included in the consolidated income statement since acquisition is £417,799 and profits for the period since acquisition £85,281.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

During the year the group acquired the unincorporated business of Caprica on 2 January 2018.

Assets acquired and liabilities assumed on acquisition

	Book value £000	Fair value adjustment £000	Fair value £000
Customer relationships	-	2,949	2,949
Deferred tax liabilities	-	(501)	(501)
Total identifiable net assets	-	2,448	2,448
Goodwill			501
Consideration			2,949

Revenue included in the consolidated income statement since acquisition is £1,066,419 and profits for the period since acquisition £460,886.

STACKHOUSE POLAND GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Prior year reclassifications

The comparative figures in the primary statements and notes have been restated to reflect prior period errors in the classification of various balance sheet items. The effects of the prior period errors are summarised below:

Classification of debtors		As previously		
		stated	Adjustment	As restated
		31 Dec 17	31 Dec 17	31 Dec 17
		£000	£000	£000
Trade Debtors	1a	4,760	11,517	16,277
Prepayments and accrued income	1b	19,944	(11,923)	8,021
Tax recoverable	1c	–	378	378
Associate		68	–	68
Other debtors		582	–	582
		<u>25,354</u>	<u>(28)</u>	<u>25,326</u>

1a) Insurance broking trade debtors of £11,517,685 were incorrectly shown as prepayments and accrued income in 2017

1b) Insurance broking creditors of £405,281 were included in debtors, these have since been reclassified to creditors

1c) Tax recoverable amounts of £378,174 had previously been included in the corporation tax liability in creditors

STACKHOUSE POLAND GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

28. Prior year reclassifications (continued)

The categorisation of creditors have been corrected as per the table below:

Classification of creditors		As previously stated 31 Dec 17 £000	Adjustment 31 Dec 17 £000	As restated 31 Dec 17 £000
Creditors due in less than one year				
Insurance broking creditors	2a	12,051	19,266	31,317
Trade creditors	2a	21,510	(20,695)	815
Deferred consideration	2b	–	15,598	15,598
Corporation tax	2c	241	241	482
Other taxation and social security	2d	–	651	651
Obligations under finance lease and hire purchase contract		95	–	95
Other creditors	2b	4,858	(1,770)	3,088
Accruals and deferred income	2b	21,252	(18,141)	3,111
		<u>60,007</u>	<u>(4,850)</u>	<u>55,157</u>
Creditors due in more than one year				
Deferred consideration	2b	–	4,720	4,720
Other provisions		101	101	202
Net assets		<u>101</u>	<u>4,821</u>	<u>4,922</u>

2a) Insurance broking creditors of £19,263,877 have been split out from trade creditors into their own

2b) Deferred consideration of £19,446,764 has been split out from accruals and deferred income and other creditors. £4,720,151 of deferred consideration due after more than one year has been reclassified from current liabilities. Deferred consideration of £871,250 has been split out from other creditors. Insurance broking creditors of £1,308,199 have been split out from accruals.

2c) Tax recoverable of £378,174 has been reclassified into debtors, offset by other corporation tax of £137,329 being reclassified from other creditors

2d) Other taxation and social security of £651,384 has been split out from other creditors

29. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £872,499 (2017: £704,000).

30. Commitments under operating leases

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	Group 2017 £000
Not later than 1 year	1,526	1,208

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30. Commitments under operating leases (continued)		
Later than 1 year and not later than 5 years	6,372	4,504
Later than 5 years	4,407	4,267
	<u>12,305</u>	<u>9,979</u>

31. Related party transactions

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

The following transactions with related parties have taken place in the period.

	2018 £000	2017 £000
Related party expenses		
Interest accrued on loan notes held by significant shareholders	2,515	2,238
	<u>2,515</u>	<u>2,238</u>
Interest accrued on loan notes held by directors	2,632	2,527
The following balances were due to related parties at the year end:		
Loan notes, accrued PIK notes and accrued interest due to shareholders	22,957	20,442
Loan notes, accrued PIK notes and accrued interest due to directors	23,924	22,973
	<u>46,881</u>	<u>43,415</u>

At 31 December 2018, the Group was owed £123,581 (2017: £18,390) by HR Owen Insurance Services Limited, an associate company in which the Company is a shareholder.

At 31 December 2018, the Group was owed £824,021 (2017: £472,874) by Inspire Underwriting Limited, a company in which J M G Cary, J I D Agnew and T D Johnson, directors of this company, are directors. Interest of £63,964 accrued on this loan during the year.

At 31 December 2018, the Group owed £117,617 (2017: £104,312) by Inspire Motors Limited, a company in which J M G Cary and T D Johnson, directors of this Company are directors. Interest of £10,982 accrued on this loan during the year.

At 31 December 2018, the Group was owed £1,688.31 (2017: £324,551) by Ptarmigan Underwriting Agency Limited, a company in which the Group is a shareholder.

At 31 December 2018, the Group owed £139,731.34 (2017: was owed £214,224) to Ptarmigan Underwriting UK Limited, a company in which the Group is a shareholder.

At 31 December 2018, the Group owed £520,284 (2017: £28,775) to Protek Group Limited, a company in which the Group is a shareholder.

At 31 December 2018, the Group owed £1,795,092 (2017: £298,982) to Quantum Underwriting Solutions Limited, a company in which the Group is a shareholder.

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32. Post balance sheet events

Subsequent to the year end, on 5 April 2019, the entire issued share capital of the company was acquired by Gallagher Holdings (UK) Limited, a subsidiary of Arthur J. Gallagher & Co., a company incorporated in the United States of America, which is the ultimate holding company.

33. Controlling party

The Company's parent undertaking is Gallagher Holdings (UK) Limited, a company registered in England and Wales. Subsequent to the year end, on 5 April, the largest group of undertakings of which the Company is a member and for which financial statements are prepared, is headed up by Arthur J. Gallagher & Co., a company incorporated in the United States of America, which is the ultimate holding company. The registered address of Arthur J. Gallagher & Co. is 2850 W. Golf Rd., Rolling Meadows, IL 60008. A copy of these consolidated financial statements is available from the registered office of the Company.